

FINAL BILL REPORT

HB 2424

C 7 L 06

Synopsis as Enacted

Brief Description: Providing sales and use tax exemptions for users of farm fuel.

Sponsors: By Representatives Grant, Kessler, Williams, Morrell, Condotta, Clibborn, Linville, Cox, Hunt, Buck, Conway, Haigh, Sump, P. Sullivan, Walsh, Springer, Buri, Haler, Newhouse, Ericksen, Morris, Ericks, Kretz, Strow, B. Sullivan, Dunn, Upthegrove, Ormsby, McDermott, Holmquist and Takko.

House Committee on Finance

Senate Committee on Agriculture & Rural Economic Development

Senate Committee on Ways & Means

Background:

Sales tax is imposed on the retail sales of most items of tangible personal property and some services. The use tax is imposed on the privilege of using tangible personal property or services in instances where the sales tax does not apply. Sales and use taxes are levied by the state, counties, and cities, and total rates vary from 7 to 8.9 percent. The state portion of the tax is deposited in the State General Fund.

Motor vehicle fuel (gasoline) and special fuel (primarily diesel) are exempt from sales and use tax when the motor vehicle and special fuel taxes apply. Special fuel used for off-road business purposes is exempt from the special fuel tax and so becomes subject to the retail sales and use tax.

Federal law requires diesel fuel used for off-road business purposes to be dyed. Diesel fuel that is exempt from highway fuel taxes is often called "red dyed fuel."

Aircraft fuel users are taxed at eleven cents per gallon of aviation fuel. The revenue is deposited in the Aeronautics Account and is used for the administration of the DOT Aviation Division, airport construction and maintenance, and local airport aid. The tax does not apply to fuel used in aircraft used principally for the application of pesticides, herbicides, or other agricultural chemicals that operate from a private, non-state-funded airfield. This fuel is subject to the sales and use tax.

Summary:

Diesel and aircraft fuel used by farmers for non-highway farm activities is exempt from sales and use tax. The exemption also covers diesel and aircraft fuel used for soil preparation services, crop cultivation services, and crop harvesting services. The exemption does not cover fuel used for home heating.

Votes on Final Passage:

House	96	1	
Senate	44	4	(Senate amended)
House	97	1	(House concurred)

Effective: March 6, 2006